United States
Department of Agriculture

Foreign Agricultural Service

August 1988

Foreign Agriculture

Moving Up in the Mexican Market

Marketing News

Washington State Promotes Asparagus in Japan

"Washington asparagus, cultivated with snow-fed water, tender and sweet" was the theme of an asparagus promotion held last spring in three Japanese supermarket chains, comprising approximately 250 stores. The promotion was sponsored by the **Washington Asparagus Growers Association** with assistance from the **Washington State Department of Agriculture.**

The promotion built on a successful one-week promotion conducted in the spring of 1987, during which more than 150 tons of asparagus were sold. The supermarkets involved in that promotion requested repeat promotions for the spring of 1988. In addition, other stores have expressed an interest in participating in a promotion next year.

"This year's promotion focused on in-store food demonstrations and sampling," says Bill Smiley, the Department's Tokyo-based marketing specialist. "We cooked asparagus in the produce section of 23 major supermarkets, explaining to consumers why Washington asparagus is sweeter and more tender than other asparagus."

The goal of this type of promotion is to establish Washington asparagus as an identified and recognized product. In the past, Japan imported Washington asparagus only to fill market gaps between the California asparagus season and the beginning of the harvest in Japan. Research conducted by USDA and the IMPACT Center at Washington State University indicated good market potential for the Washington product.

U.S. Wheat Taking On The Chinese Market

Last marketing year, China imported over 13 million metric tons of wheat, with roughly a third of that amount coming from the United States. To maintain and expand the U.S. share of that large and growing market, **U.S. Wheat Associates** is carrying out a variety of promotional and educational programs in China.

U.S. Wheat consultants recently conducted lectures and demonstrations for bakers from five provinces in northwestern China. The training program was held in cooperation with Eastern Air Catering in Beijing and Shanghai, which together serve more than 7,000 meals a day for 24 domestic and international airline companies.

Administrators of the Sino-U.S. Mill Training Center in Beijing have beefed up their milling short course schedule by adding four mini-courses on cereal chemistry, prevention of mill dust explosions, mill management and maintenance.

Another prong of U.S. Wheat Associates' efforts has been annual visits of key Chinese officials to the United States to learn more about the U.S. wheat industry and strengthen trade relations. This year, two trade teams are scheduled to visit the United States to learn more about the U.S. wheat production and trade systems.

A China bakers' magazine, a joint project of U.S. Wheat and the U.S. Wheat-supported China-American Bakers Training Center in Guangzhou, will be distributed to bakery personnel throughout the country to make bakers aware of ingredients and new equipment. In addition, U.S. wheat has produced two training manuals in Chinese.

U.S. Wheat also is assisting Chinese bakers in making sure that fresh bread is delivered to customers the day of production, rather than overnight, as now is the practice. Overnight deliveries decrease the product freshness and desirability.

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Features

Mexico Provides Growing Opportunities for U.S. Agricultural Exporters 4

Changes in Mexico's population and a liberalized trade structure indicate increased demand for U.S. agricultural exports.

U.S. Becomes Major Wheat Supplier to Mexican Market 7

U.S. wheat sales to Mexico are on the upswing, thanks to increased U.S. competitiveness and greater demand for wheat products in Mexico.

Japanese Horticultural Market: Openings, Obstacles for U.S. Exporters 8

Japan is the largest offshore market for U.S. horticultural products, but it is a market not without problems.

Exporters Can Succeed in Argentina by Following Tips 11

Exporters interested in doing business in Argentina, a market with specific annual imports, should follow these tips.

U.S. Wineries Seek Expanded Sales in European Markets 12

The Vin Italy '88 Wine Show in Verona was the site of the first U.S.-sponsored international wine exhibit.

Port Services Help Keep U.S. Farm Exports on the Move 14

A wide range of export services make U.S. ports much more than just cargo movers.

Hong Kong's Changing Taste Opens Way for U.S. Wine 17

Long an important market for many U.S. consumer products, Hong Kong is buying more U.S. wines.

Avoiding the 12 Most Common Mistakes of Potential Exporters 19

New-to-market exporters often make "typical" mistakes. Learn what they are and how to avoid them.

Departments

Marketing News 2

Country Briefs 21

Mexico Provides Growing Opportunities For U.S. Agricultural Exporters

By Leon G. Mears

While the United States and Mexico traditionally have enjoyed a mutually beneficial trading relationship, Mexico appears to be moving into the position of becoming a larger market for U.S. agricultural products.

Anticipated changes in Mexico's agricultural production and trade in the next few years are likely to have a considerable effect on the quantity and composition of its agricultural imports.

Changing Face of Mexico's Agriculture

Mexico has a strong comparative advantage in the production and export of a wide variety of fruits and vegetables, tropical products, some processed foods and cut flowers. An increasing share of the country's agricultural resources and rural labor force is expected to be allocated to producing, processing and exporting these products.

However, due to constraints such as limited arable land and inadequate water supplies, it is unlikely that Mexico will be able to expand self-sufficiency in the production of grains, oilseeds and other products now in deficit supply.

Food Demand Expected To Increase

Due to these production limitations, Mexico has traditionally turned to the United States for a number of products.

Some 70 percent of the value of Mexico's agricultural imports from the United States in recent years has been linked to the livestock and poultry industries. Increased demand for animal products will expand market opportunities for U.S. suppliers of feed grains, oilseeds, protein meals and breeding livestock.

Demand for meat, dairy products, eggs and processed foods also is expected to grow rapidly in the next five years.

The major factors which are expected to contribute to this growing demand include:

Economic growth and income gains. Expected economic growth and increased consumer purchasing power will stimulate dietary changes and larger food purchases. While per capita consumption of meat, dairy products and eggs declined an estimated 25 to 30 percent from the pre-recession high reached in the early 1980s, it is expected to recover rapidly.

Population growth. Mexico's population is expected to surpass 100 million people in the mid-1990s. Continued growth of about 2 percent per year will put pressure on available food supplies and production capacity.

A large share of Mexico's population was born in the 1960s and 1970s when growth rates ranged from 3 to 3.5 percent a year. As a result, the current population is made up of a greater-than-average number of teenagers and young adults. Their food requirements are higher than for other age groups, which will further stimulate food demand in the next few years.

Increased urbanization. Lured by urban employment and income possibilities, more of Mexico's rural population is expected to move to cities. Only three in 10 Mexicans lived in cities in 1950. That ratio rose to six in 10 by 1980, and this population shift continues. Studies indicate urban consumers purchase more animal products and processed foods than do rural residents.

Expanded government programs. The government of Mexico is expected to expand food programs aimed at reducing widespread malnutrition, with emphasis on increasing protein intake among pre-school and school-age children.

Decreased migration. Migration of Mexicans to the United States is expected to decline from recent levels, reflecting reforms in the U.S. immigration law. This will put additional pressure on local food production.

Growing tourist industry. Mexico's rapidly growing tourist industry will increase demand for a wide variety of high-quality foods and beverages. Some 5.5 million tourists are expected to visit Mexico in 1988 and tourist industry experts are projecting 7 to 8 million visitors annually within the next five years.

Rebuilding U.S.-Mexico Trade

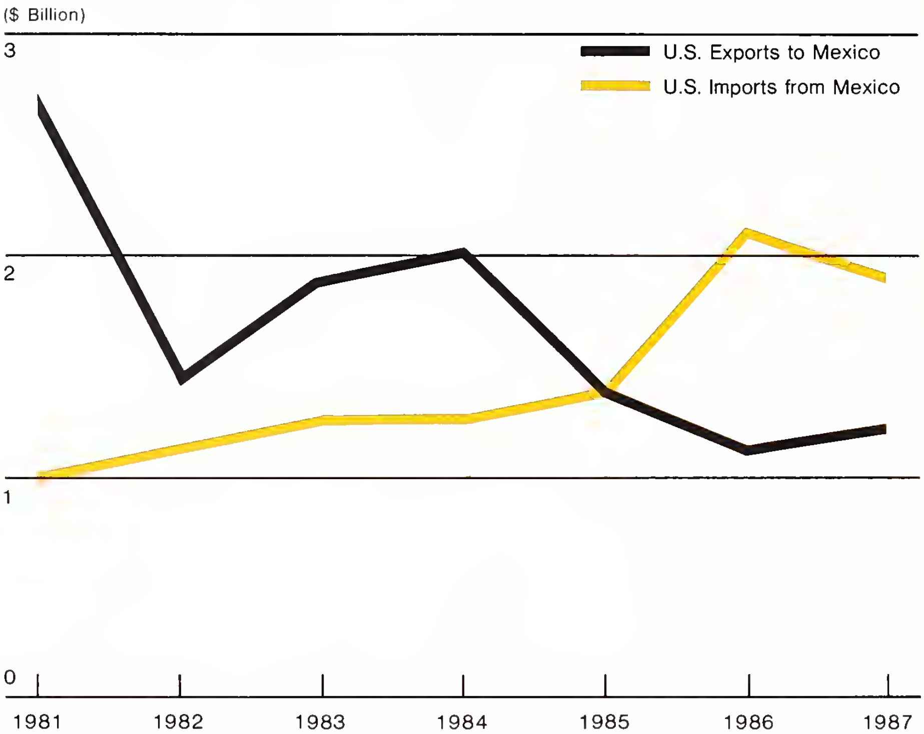
The United States supplies about 70 percent of Mexico's agricultural imports. Other major suppliers are Canada, Argentina and Australia.

Although U.S. agricultural exports to Mexico are still well below the peak level of $2.7 billion in 1981, exports are climbing again after the sharp slide that began in 1982. In 1987, U.S. exports were valued at $1.2 billion, up $125 million from the low 1986 level of $1.1 billion. Sales to Mexico in 1988 are forecast at $1.4 billion.

U.S. agricultural exports declined in the mid-1980s due primarily to Mexico's severe economic recession and the sharp devaluation of the peso relative to the dollar, which made imports much more expensive. However, during the same period, these factors contributed to the major expansion of Mexico's exports to the United States as Mexican products became relatively less expensive for U.S. buyers.

In recent years, the Unites States has imported 80 to 85 percent of Mexico's agricultural exports. Mexico was the largest foreign supplier of agricultural

U.S.-Mexico Agricultural Trade Balance Fluctuates



products to the U.S. market in 1986, when record shipments were valued at $2.1 billion.

Mexico Liberalizes Trade

Mexican trade policy has undergone an important evolution during the past five years. Mexico has liberalized tariffs, import licenses and official reference prices, the three tools used in the post-World War II period to control imports.

At the end of 1983, all Mexican tariff categories were subject to import licensing requirements. By March 1, 1988, only 329 of the 8,446 tariff categories were subject to import permits.

However, 60 agricultural categories, including grains, oilseeds and products, dairy products and selected horticultural products, still require import permits.

Official reference prices, which covered over 1,500 tariff categories two years ago, were eliminated at the end of 1987. Tariffs as high as 100 percent in 1986 were reduced to a maximum applied rate of 20 percent as of December 15, 1987. The 5-percent general import tax, applied on top of the normal duty, was eliminated on December 15, 1987.

Mexico has taken these liberalization measures in part to meet the commitment it made to join the General Agreement on Tariffs and Trade (GATT) in 1986.

However, the elimination of these import controls goes beyond GATT commitments. Mexico also signed a bilateral framework agreement with the United States in November 1987, which should provide for further trade liberalization.

U.S. Export Opportunities Expanded

Thanks to the recently reduced tariffs and other trade liberalization actions, market opportunities for a variety of U.S. high-value agricultural products have increased significantly. These include:

Horticultural products. Almonds, walnuts, cherries, apples, peaches, pears, sweet corn and dried fruits have become popular items.

Meat. High-quality beef is imported for the rapidly expanding foreign tourist industry. Poultry meat, particularly chicken and turkey parts, is sold in free-trade zones.

Dairy products. Non-fat dried milk, butter, selected cheeses and fluid milk are imported, particularly for the free-trade zone along the border.

Processed foods. Mexican consumers are developing a taste for frozen french fries, soy protein isolates, popcorn, dietetic foods, pancake and other cake mixes, soups and confectionery items.

Spirits. Wine, beer and other alcoholic beverages are in demand.

Wood products. Softwood and hardwood lumber, plywood, fiberboard, moldings and wood pulp are being used in the construction industry.

Hides and skins. Selected hides and skins and semi-processed and processed leather items are sought for the leather industry.

Feeds. Prepared animal and poultry feeds, including milk replacers, are being used by the agricultural sector.

Export Guidance Is Available

U.S. exporters interested in developing or expanding their sales to the growing Mexican market may obtain information on exporting U.S. agricultural products to Mexico from:

U.S. Counselor for Agricultural Affairs
American Embassy, Mexico City
P.O. Box 3087
Laredo, TX 78044-3087

Information also is available from:

High-Value Products Division
Foreign Agricultural Service
U.S. Department of Agriculture
Room 4645 - South Building
Washington, D.C. 20250-1000
Tel. (202) 447-6343. ■

The author is the U.S. agricultural counselor in Mexico City.

U.S. Becomes Major Wheat Supplier To Mexican Market

By Grant A. Pettrie

While U.S. wheat exports have been surging to the Soviet Union and China in the past few years, the United States has quietly become a major supplier to Mexico's rapidly growing wheat market.

U.S. wheat shipments to Mexico rose from virtually nothing in marketing year 1985 (July 1985-June 1986) to more than 200,000 metric tons in marketing year 1987, and are expected to rise to at least 600,000 tons in marketing year 1988.

Although the United States is traditionally the world's largest exporter of wheat, sales to Mexico had plunged from 1.14 million tons in 1980 to 25,000 tons in 1984 as Mexico became self-sufficient in bread wheat production and wheat consumption declined as a result of economic recession in Mexico.

Another reason behind the slump was the fact that U.S. wheat—both feed and bread wheat—was not competitively priced. Even the lower transportation costs to Mexico relative to other suppliers could not make the United States competitive on a regular basis.

Mexico Is a Price-Conscious Market

Mexico is basically a price market. When U.S. prices became uncompetitive, Mexico switched to non-U.S. wheat.

During this time, Australia, Canada, the European Community and Argentina made substantial inroads into the Mexican market, principally for feed wheat, but also for some bread wheats.

Given Mexico's foreign exchange constraints, the country often seeks "creative" financing. Examples of this include U.S. Commodity Credit Corporation export credit guarantees, Canada's Export Development Corporation credit guarantees and the Latin American Export Bank's financing credit programs.

Barter arrangements also have been used. In recent years, Mexico has imported European feed wheat by bartering coffee and steel. In 1987 Mexico attempted to trade its surplus durum wheat for Australian and Canadian hard wheats. Although this last transition did not happen as designed, it shows the Mexican government's interest in alternative financing programs.

To meet the European competition in Mexico, USDA announced a 200,000-ton Export Enhancement Program initiative in early December 1987. In January 1988, CONASUPO, the Mexican food purchasing agency, purchased the entire amount for immediate delivery. In March 1988, USDA announced that an additional 600,000 tons of wheat was available under the Export Enhancement Program, with purchases expected this summer.

Consequently, the United States became competitive in the 1987/88 marketing year, which should prove to be the best year of the 1980s for U.S. wheat sales to Mexico. The office of the U.S. agricultural counselor in Mexico City estimates that Mexico will need to purchase at least 1,000,000 tons by the end of 1988 with the United States selling the lion's share.

U.S. Industry Responds to Needs

U.S. success in developing programs to make the United States more competitive has been bolstered by industry efforts to familiarize Mexican traders with the U.S. wheat marketing system.

For example, Mexico now requires large imports of hard wheats because domestic hard wheat production has dropped significantly due to unfavorable weather and disease. This year alone, wheat plantings were reduced roughly 15 percent due to disease quarantine and low reservoir levels. Almost all of Mexico's winter wheat crop is irrigated, so when reservoir levels are low, production can be severely reduced.

U.S. Wheat Associates, a commodity trade association that promotes wheat, and the office of the U.S. agricultural counselor in Mexico City foresaw the need for large hard wheat imports. After reviewing Mexico's market development situation, the association realized that with the exception of CONASUPO, the private sector in Mexico had little or no experience in purchasing U.S. wheat.

Consequently, U.S. Wheat Associates, with the assistance of USDA officials, sponsored a market development seminar in September 1987. The program centered on the U.S. marketing system, grain standards, transportation and USDA's credit guarantee programs.

More than 50 representatives of Mexico's major flour millers, milling associations, Mexican government officials and U.S. grain companies attended the program.

In addition, U.S. Wheat Associates in April 1988 sponsored a visit to a grain marketing short course in Manhattan, Kansas, for a group of key private and public sector Mexican officials to assist Mexico in making wheat purchases. The private sector is likely to import a significant percentage of the wheat in the coming year and now has the know-how and familiarity with U.S. grain marketing to do so in an efficient fashion.

Long-Term Demand Likely To Stay Strong

In marketing year 1989/90, Mexico's wheat imports could drop somewhat if water supplies are more normal and government efforts to reduce disease problems are successful.

Nonetheless, in the long term, Mexico's wheat import demand should remain strong to meet food needs. As the population expands, domestic producers will be unable to meet growing domestic demand. ■

The author is the U.S. agricultural attache in Mexico City.

Japanese Horticultural Market: Openings, Obstacles for U.S. Exporters

Sheila Phalon

By Suzanne Ginger

When a Japanese consumer reaches for a bag of almonds, a glass of grapefruit juice or a serving of french fries, the odds are that the product is from the United States.

The United States supplies roughly a third of Japan's horticultural import needs. For some products, such as citrus, almonds, cherries and canned corn, the United States dominates the market. For other horticultural items, U.S. sales are getting a larger market share thanks to increased promotion and a favorable yen/dollar exchange rate.

Japan has been the largest single U.S. offshore market for horticultural products for many years. Exports to Japan rose 60 percent from $472 million in 1983 to $755 million in 1987. Nearly 90 percent of the increase came during 1986 and 1987.

Gains in recent years have been spurred on by an 80-percent appreciation in the value of the yen against the dollar and implementation of USDA's Targeted Export Assistance (TEA) program, as well as relaxation of certain import barriers.

Many Items Getting an Export Push

Oranges, grapefruit, cherries, strawberries, prunes, frozen concentrated grapefruit juice, canned corn and frozen french fries registered the most significant export gains during 1985-87.

Many U.S. horticultural products have benefited from the TEA program's promotional activity. Under the program, the Foreign Agricultural Service allocates funds to grower groups to promote U.S. goods overseas. Only products affected by unfair foreign trade practices are eligible.

Over half the $110 million of TEA funds available in 1988 are slated for horticultural export promotion. A sizable part of this amount is directed toward the Japanese market, where high consumer

incomes, changing eating habits and a growing openness to Western-style foods makes the market ripe for U.S. sales.

During any given week in Japan, food stores, hotels, restaurants and media advertising feature promotions for a variety of U.S. horticultural products. The commodities promoted under the TEA program include raisins, table grapes, canned cling peaches and fruit cocktail, citrus from California, Arizona and Florida, avocados, cherries, kiwifruit, potatoes, wine, walnuts, almonds and pistachios.

Trade Barriers Remain a Problem

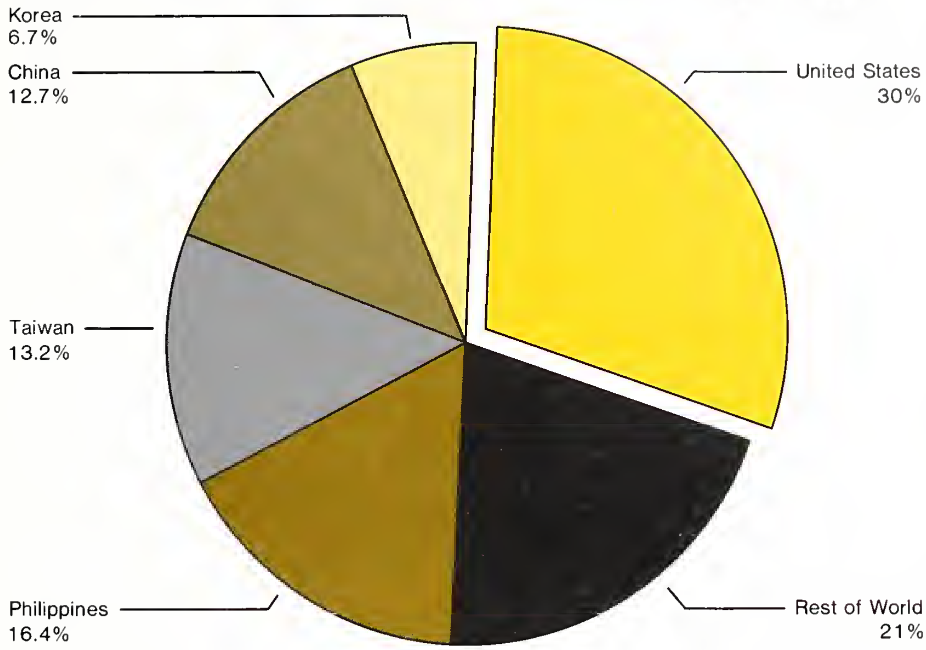
Despite the sales successes achieved through promotion and improved market access, U.S. exporters still face several trade barriers that keep exports from reaching their full potential. Japanese restrictions such as import quotas, juice blending requirements and limited-entry seasons, limit the import of some products.

Although per capita consumption of fresh citrus in Japan is nearly 23 kilograms per year—compared with the 11 kilograms in the United States—Japan continues to limit its imports of fresh oranges and orange juice.

The United States and Japan negotiated agreements in 1979 and 1984 that enlarged the Japanese quota for fresh oranges from 45,000 metric tons in 1979 to 126,000 tons in 1987. The United States currently supplies close to 100 percent of Japanese fresh orange import needs, but analysts believe the volume would be much higher if quotas were lifted.

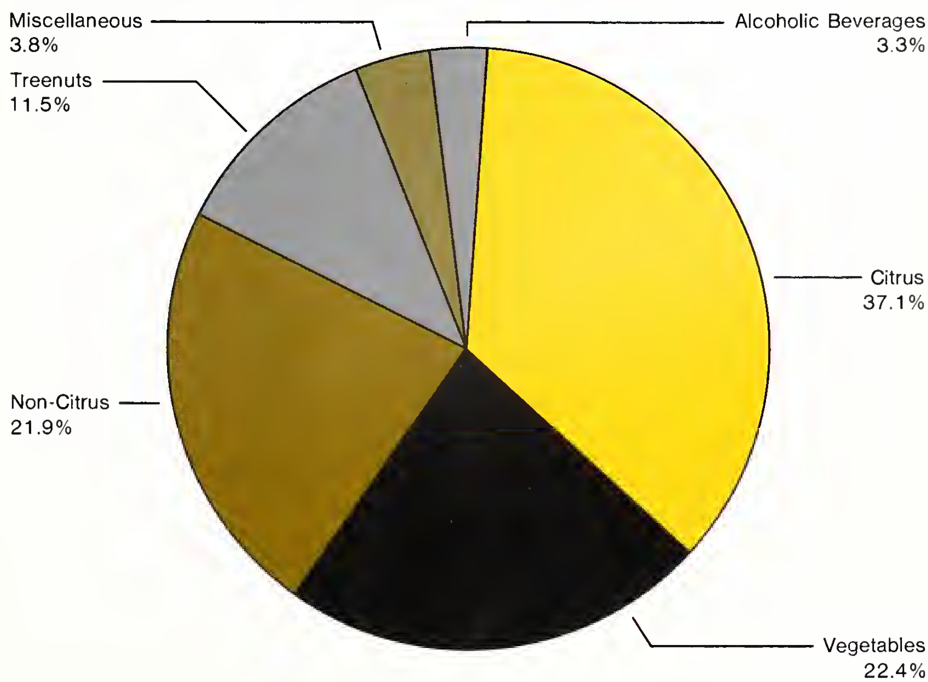
While the United States dominates the fresh orange market, Brazil, with its less expensive products, has captured nearly 90 percent of the orange juice market. Under the 1979 and 1984 agreements, Japan raised orange juice quotas from 3,000 tons in 1979 to 8,500 tons in 1987.

U.S. Is Top Supplier of Japan's Horticultural Imports



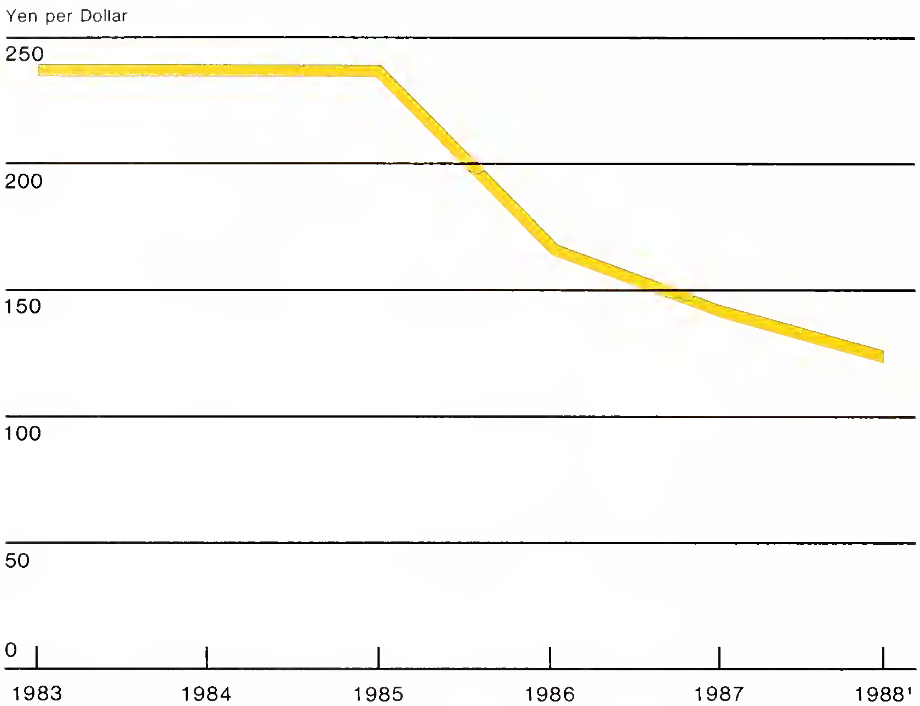
1986 Value=$2.4 Billion

U.S. Fruits and Vegetables Are Tops on Japanese Shopping Lists



1987 Value=$755 Million

Strong Yen Has Boosted Sales of U.S. Horticultural Items to Japan



[1]Average of January-March 1988 Spot Prices.

On March 31, 1988, the latest U.S.-Japanese agreement on citrus import quotas expired. The United States asked Japan to liberalize fresh orange and orange juice imports completely. Japan responded by agreeing to liberalize imports of fresh oranges in three years and orange juice in four years. Meanwhile, Japan plans to impose hefty tariffs on these imports for another three years.

Present Japanese regulations require imported orange juice to be blended with domestic *unshu mikan* (satsuma) juice. Juice blending prevents Japanese consumers from developing a preference for sweeter, brand-identified imported juices.

In 1986, Japan lifted its import quota on grapefruit juice. The United States dominates the frozen concentrate grapefruit juice market, selling $15.6 million worth to Japan in 1987.

Plant Health Barriers Discourage Exporters

Japan's strict phytosanitary regulations also can discourage U.S. exporters. Prior to 1978, Japan's plant protection and quarantine rules banned entry of all U.S. products that hosted the codling moth, including apples, pears, all stone fruit and in-shell walnuts.

The first breakthrough was Japan's acceptance of a fumigation procedure for Washington and Oregon cherries in 1978. However, Japan allowed entry of the U.S. cherries only after July 1 each year, following completion of Japan's May-June cherry harvest. This late entry date precluded participation by California growers who market their crops in May and June.

The red letter date for California cherry exports was in 1987, when Japan approved a fumigation procedure for California cherries. As a result, cherries could enter Japan between May 25 and June 7 and after July 1.

The value of cherry exports to Japan jumped from $8.3 million in 1986 to $31.1 million in 1987. In subsequent years, entry windows are to be enlarged and all entry date restrictions will end in 1992.

In 1986, fumigated in-shell walnuts were allowed to enter Japan. Research into fumigation of apples and California nectarines continues. Nectarine shipments to Japan commenced June 20, 1988, and hopefully approval to ship U.S. apples will be obtained within the next few years.

Although much remains to be done, some of Japan's phytosanitary measures have been altered to aid importers. In April 1986, weekend food sanitation and plant quarantine inspections were added to facilitate imports. Imports of U.S. horticultural products must pass both inspections to enter Japan.

Another development that has aided U.S. horticultural exporters was the Japanese Ministry of Health and Welfare (MHW) certification of the Oregon Department of Agriculture's laboratory to conduct many of the tests required by MHW on food products being exported to Japan. Such "pre-testing" can expedite customs clearance, reduce import costs and significantly reduce the chance of shipments being rejected upon arrival in Japan.

Some Bans Remain

Japan bans irradiated food and many food additives. For example, on cherries, no post-harvest chemicals can be used because the Japanese view these as food additives, of which few are permitted in imports. Likewise, only a limited number of fungicides have been cleared for use on products entering Japan. ■

The author, formerly with the Horticultural and Tropical Products Division, is now in the International Trade Policy Division, FAS. Tel. (202) 382-1980.

Exporters Can Succeed in Argentina by Following Tips

By Robert Curtis

Although Argentina is a traditional importer of U.S. agricultural products such as breeding livestock, semen, baby chicks and a variety of seeds, fluctuations in production and demand in that country often spell market opportunity for other U.S. products as well.

Last year, for example, U.S. exports of cotton to Argentina totaled $13.7 million, making that commodity the No. 1 import item from the United States. Other U.S. commodities on Argentina's shopping list included almonds, hops, durum wheat, oats, lumber and essential oils. In all, U.S. exports to Argentina in 1987 totaled nearly $40 million.

While Argentina remains a major agricultural competitor of the United States in third markets, its role as a customer makes it a market worth watching. However, exporters interested in doing business in Argentina should learn the "ins and outs" of the trade. Here are a few tips to keep in mind:

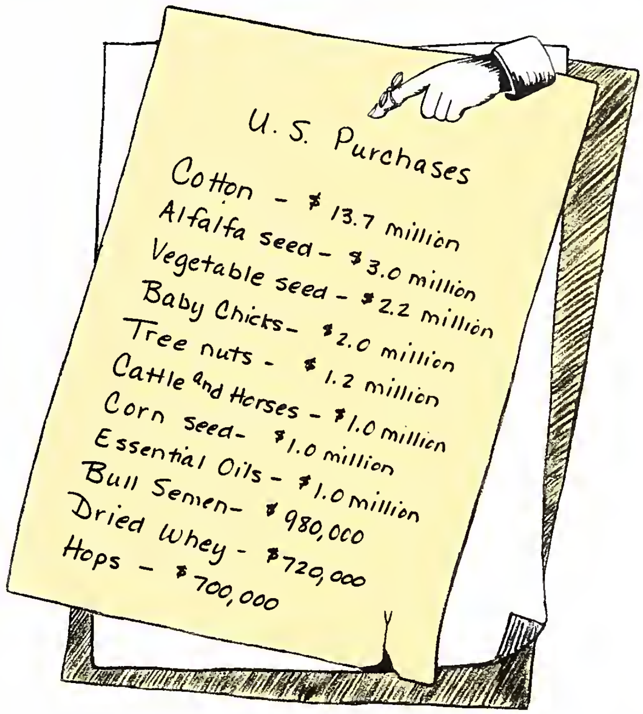
Pricing. Argentina's inflation rate is currently running at more than 10 percent per month. U.S. exporters should establish their prices in U.S. dollars due to the rising inflation rate and the resulting escalation of the U.S. dollar/austral exchange rate. Trying to make a financial gain on the export price in local currency is not advised.

All commercial transactions must be based on Argentina's commercial exchange rate, which is roughly 30 percent lower than the tourist or free exchange rate.

U.S. exporters are advised to price commodities f.o.b. in U.S. dollars, to avoid the difficulties of the commercial and non-commercial exchange rates and the bureaucratic tangles that are derived from them.

Payment. Since payment for imports is not made until 180 days after a product arrives in Argentina, selling on an f.o.b. or f.a.s. basis is advisable.

Cotton Topped Argentina's U.S. Shopping List in 1987



Letters of Credit. The Commodity Credit Corporation's (CCC) Intermediate Export Credit Guarantee Program (GSM-103) is available for the export of U.S. breeding livestock, semen, embryos and poultry grandparent stock. The CCC's Export Credit Guarantee Program (GSM-102) is available for exporting wood products and plywood.

These programs require potential importers to open a letter of credit with CCC-approved banks in Argentina. U.S. exporters register sales with CCC, receive payment for the export product and transfer risk of non-payment to the CCC.

Importers have three to 10 years to pay for imports under GSM-103 and six months to three years to pay for those under GSM-102. Exporters interested in further information on program operations may contact the Program Development Division of the USDA's Foreign Agricultural Service at (202) 382-9225.

Brokers. U.S. exporters not accustomed to doing business in Argentina or Latin America should work with a reliable Argentine broker to ensure that initial business transactions are completed smoothly. Many problems and obstacles can be avoided or readily resolved by a knowledgeable broker. ■

The author is the U.S. agricultural attache in Buenos Aires.

U.S. Wineries Seek Expanded Sales in European Markets

VIN ITALY

ENTE FIERE
DI VERONA
8·13 APRILE
1988

90° 1898 1988
FIERAVERONA

A new appreciation of U.S. wines among European wine connoisseurs is making Europe an excellent market for U.S. exporters. The current value of the dollar also makes many U.S. wines more affordable to a larger segment of the European market.

To help increase the exposure of U.S. wines in overseas markets, the Foreign Agricultural Service (FAS) recently sponsored its first exhibit for U.S. wineries at the Vin Italy '88 Wine Trade Show in Verona, Italy.

The exhibit provided a cost-effective method for U.S. producers to promote their wines to an international market. The show also provided winemakers with greater exposure than they would have received individually, since all of the U.S. exhibitors were in one national pavilion. FAS also assisted the wineries with shipping and customs clearance.

Thirty Wineries Make Their Debut

Thirty wineries representing New York, Pennsylvania, New Jersey, California, New Mexico, Texas and Washington showcased their best wines at Vin Italy.

For the occasion, more than 250 cases of premium wines were air-freighted to Verona in a special shipment assembled in New York.

"Although most of the 1,200 exhibitors at the exhibit were from Italy, 72 exhibitors from eight other countries—including the United States—made a strong showing," according to Mark Condon, an FAS marketing specialist who coordinated U.S. participation in the Vin Italy show.

Nearly 81,000 people attended the event, including many of the world's leading restauranteurs, wine critics and wine merchants.

"The reaction to U.S. wines at Vin Italy was very enthusiastic," said Richard Helm, U.S. agricultural officer in Milan and pavilion manager. "For the most part, this was the first exposure of the Italian wine trade to U.S. wines. We were surprised by the Italian reaction, which we hope will translate into commercial enthusiasm," said Helm.

The five days of show activity produced an estimated $100,000 in sales on the floor. Sales over the next 12 months as a result of contacts made at Vin Italy are estimated at $500,000.

U.S. Reaction Is Positive

Reaction to the show by U.S. participants was extremely positive, Condon said. "Some who had heard about previous Vin Italy shows were eager to attend. Others who heard about it for the first time this year are already planning for next year's event."

Dick Maher, president of The Christian Brothers Winery in St. Helena, California, said he and his export director knew they wanted to be represented at the show this year when they visited Vin Italy in 1987. "When the opportunity to participate in this year's U.S. pavilion developed, we reserved our booth immediately," he said.

"We're selling quality, and the wines we're producing in the Napa Valley can hold up to any of the wines produced throughout the world, particularly Italy, which makes excellent wines," Maher said.

Lou Preston, owner of Preston Vineyards in Sonoma County, California, sold 30 cases of wine to a group of Italian restaurants while at Vin Italy. "Having a coordinated presentation of U.S. wines at Vin Italy was excellent. . .the Italian wine buyers were impressed," Preston said.

Texas Exhibit Draws Crowds

The wine representatives from Texas also were pleasantly surprised by the number of Italians and others drawn to their exhibit area. The exhibit featured a large Texas flag and a poster of a Texan on horseback holding a glass of wine.

John Fitzgerald, director of the Texas Wine Marketing Research Institute at Texas Tech University in Lubbock, who headed the seven-person Texas wine exhibitor team, said the main goal was to make the Italian wine critics and buyers aware of the quality of Texas wines.

According to Fitzgerald, members of the Association of Italian Sommeliers, who are the professional evaluators and ultimate critics of wine at Vin Italy, sampled wine from each of the five Texas wineries represented at the show. Two of the wines received the Association's highest wine rating.

Fitzgerald said many wine buyers were simply curious when they approached the booth. "But when they tasted the wine they would get a very serious look on their faces," he said. "Italians understand wine. They analyzed the wine as they were tasting it and were favorably impressed.

"Many of the trade and the public were coming to our booth because they had been referred by other Italians at the show," said Fitzgerald.

The Texas team's second objective at the show was to arrange for a distributor for Texas wines in Europe.

"About 10 or 12 prospective distributors were interested in Texas wines," Fitzgerald said. "They will begin marketing our wine in specific markets in Europe. All in all, I think the show was a great success. We accomplished everything we hoped to and I think Texas did extremely well."

Show Attracts Worldwide Buyers

Candace Frasher, communications director for Arbor Crest Winery in Spokane, Washington, said her company's winery was drawn to Vin Italy because of the opportunity to meet with thousands of potential buyers at one location.

"The real impetus for Arbor Crest to go to Italy was not just to show our wine to the Italians," Frasher said. "We knew that Vin Italy was an international trade show where people from all over the world would be present.

"We picked up new distributors for our wine in Canada and surprisingly, Pennsylvania. We couldn't have done that by staying in Spokane. At Vin Italy we were able to talk with buyers from all over the world," she said.

Long-Term Payoffs Expected

Several U.S. participants said the contacts made at this year's show should pay off in increased wine sales to the European Community and other foreign markets over the long term.

"The real 'proof of the pudding' of a trade show like Vin Italy is the long-term payoffs," said Condon. "U.S. representatives were there giving out samples, but they also were collecting sales leads from potential buyers for followup contacts.

"The true results of a trade show must be measured in terms of the followup sales," he said. "It often takes up to 18 months to realize the full potential of trade show contacts but with hard work and persistence, the effort frequently pays off."

For a schedule of other upcoming international food and beverage trade shows, contact

High-Value Products Division
Foreign Agricultural Service
U.S. Department of Agriculture
Room 4641-South Building
Washington, D.C. 20250-1000.
Tel. (202) 447-6343. ■

Port Services Help Keep U.S. Farm Exports on the Move

Port authorities in the United States are moving more than just cargo. They are helping companies move products successfully into foreign markets through a variety of one-stop services that take the mystery out of exporting.

Besides making sure that shipments move quickly and cost-effectively, port authorities offer timely marketing, finance, transportation and other information designed specifically to find a niche for their customers.

The following are summaries of what a few port authorities are doing to help exporters in their areas.

For additional information, contact:

American Association of Port Authorities
1010 Duke Street
Alexandria, VA 22314
Tel. (703) 684-5700.

XPORT, New York/New Jersey

XPORT, the first operational public export trading company was founded in 1982 and is operated by the Port Authority of New York and New Jersey.

Tailored for small- and mid-sized firms, XPORT researches key markets and carries out promotional activities such as advertising, direct mail and telex campaigns and trade show organization and participation.

It also acts as the direct contact with foreign buyers through sales trips overseas to promote the products of its supplier companies. In addition, it fully monitors and manages distributors and agents.

The Port Authority has trade development offices in London, Zurich and Tokyo to assist in research projects, act as liaison with customers and maintain government contacts.

XPORT works closely with local and federal government agencies, including the U.S. Department of Agriculture, and has established links with freight forwarders and banks in obtaining the best services for exporters.

XPORT advises suppliers on financing and payment terms, bidding on government tenders, bid bonds, performance bonds, turnkey projects, licensing, technology transfers and requirements for certifying a product for sale abroad.

The Authority also provides financing, foreign credit insurance, marine cargo insurance, export licensing help and Carnet[1] services, which simplify the procedures and time required for Carnet requests.

Several trade missions are organized each year. They include about eight to 10 companies, selected by product or industry and directed toward the most promising foreign markets.

XPORT is arranging for about six dozen wood product companies to display such value-added items as doors and windows at the Atlanta Woodworking Show, set for August 27-30.

Other companies will be at the American Plywood Association's booth at the huge Japan Home Show in Tokyo during November 8-12.

Beside wood products, New York wines are popular export items, especially in Japan, as well as a wide variety high-value processed food products.

The Port Authority of New York
and New Jersey
Herbert Ouida, Director, XPORT
One World Trade Center
63rd Floor, East
New York, NY 10049
Tel. (212) 466-8499

South Louisiana Port Commission

As part of its long-range economic development plan, the Louisiana Port Commission offers local governments matching funds to identify industries in its tri-parish area.

The Commission plans to use this information as part of a trade marketing program promoting local industries in South Korea, Taiwan, Italy and other countries where strong trade links exist.

The Louisiana port facilities, organized in 1961, is one of the leading deep-water ports in the United States, according to Earl White, assistant director for port development. The major exports are corn, buckwheat, rice and wheat.

South Louisiana Port Commission
Earl White, Assistant Director
for Port Development
152 Belle Terre Boulevard
Suite 100
LaPlace, LA 70069
Tel. (504) 652-9295

Port of Pascagoula, Mississippi

This port has direct access to open shipping lanes and overnight reach to many of the major U.S. export markets.

Located about 50 miles from Mobile, 40 from Gulfport and just over 100 from New Orleans, the Port of Pascagoula is heavily involved in shipping Public Law 480 (Food for Peace) donations, which are generally sent in 110-pound bags. The majority of these donations currently are headed for Ethiopia.

The port's grain elevator can dispense wheat, corn, soybeans and bulk commodities, while cold storage facilities handle value-added frozen products. Logs, finished lumber, plywood and pulpwood are other major agricultural items moving through the port.

Jackson County Port Authority
Paul Smith, Port Director
P.O. Box 70
Pascagoula, MS 39567
Tel. (601) 762-4041

[1]Carnet is a bond that allows U.S. exporters to ship goods overseas on a temporary basis up to one year without paying customs, duties or tariffs.

VEXTRAC, Norfolk, Virginia

In 1983, the Virginia Port Authority established VEXTRAC, the Virginia Export Trading Company, to bring first-time exporters together with other trading partners across the state.

The company has three overseas marketing offices and trade information exchange agreements with several European ports and a South American company.

It offers communications services, including telex and long-distance telephone services, plus extensive information on selling to markets around the world.

Small- and mid-sized businesses not financially able to hire trade advisers are likely to benefit the most from VEXTRAC's services.

VEXTRAC can help link exporters with export programs sponsored by the U.S. Department of Agriculture, the Department of Commerce and other agencies, such as the Export-Import Bank and the Agency for International Development. The result of these marketing efforts is a match of Virginia sellers with overseas buyers.

The company also offers information about the state's private-sector banks with international departments.

VEXTRAC can direct transportation for exports and imports, and coordinate information on the handling of cargo at the terminals and related costs. The Virginia Port Authority's traffic department constantly updates information on the rates for railroad, steamship and trucking services.

The principal agricultural goods moved by the Virginia Port Authority are lumber and logs. Next in importance are tobacco and meats.

(On July 1, 1988, VEXTRAC was incorporated into Virginia's new Department of World Trade. For information on the department's services, telephone (804) 446-4849.)

Virginia Port Authority
Judy McCain, Director
Virginia Export Trading Company
600 World Trade Center
Norfolk, VA 23510
Tel. (804) 623-8577

Massport, Massachusetts

For more than 10 years, the Massachusetts Port Authority has been helping smaller companies in the New England area export their products.

Massport's international marketing and trade arm is the Trade Development Unit, which provides technical and promotional assistance to its customers.

The trade unit focuses primarily on promoting exports to Western Europe, the Far East, Latin America and the Caribbean.

Massport's office in London helps firms acquire trade information and trade leads throughout Europe.

Recently, the staff led a trade mission of New England companies to the ANUGA food and beverage show, held every two years in Cologne, West Germany. One participant followed up on leads gained at the show and will be shipping regularly to supermarkets and health food stores in the United Kingdom.

Lumber traders and fish processors are among the clients receiving assistance on reaching potential buyers and distributors in several European countries.

In the Far East, Massport's Tokyo office not only arranges for Japanese buying missions to come to the New England area, but also researches and qualifies agents and finds sales opportunities for New England producers in Asian markets.

Some of the demand in the Far East for New England's lumber and wood products is being met by log-home, window, door and furniture manufacturers introduced by Massport to the idea of exporting.

New initiatives are under way in Latin America and the Caribbean to increase trade between these regions and exporters in New England.

Massport will guide the beginner through the export maze, providing advice and research as needed to make a successful trade.

Massachusetts Port Authority
Andrew Bendheim, Director
Trade Development Unit
Suite 321
Boston World Trade Center
Boston, MA 02210
Tel. (617) 439-5560

Port of Bellingham, Washington

This port is in the process of activating its first export trading company, with PACRIMEX scheduled to begin operations by January 1989.

With an eye on the small producer, PACRIMEX will provide export services, marketing, promotion, consulting, legal assistance and trade documentation as well as consummating sales. It also is authorized to take title to goods.

Whatcom County, the port's home, is more than two-thirds agricultural, with the emphasis on dairy, fish industry and large quantities of different berries. So agriculture plays an important role in the port's activities.

The Port of Bellingham recently activated its first foreign trade zone at the Bellingham International Airport's 300-acre industrial park.

In total, the port has five foreign trade zones located throughout Whatcom County along the Canadian border. The first was established in 1934.

Port of Bellingham
Robert Hilpert
Director of Trade Development
625 Cornwall Avenue
Bellingham, WA 98225
Tel. (206) 676-2500 ■

*Reprinted and adapted from **Business America Magazine,** produced by the U.S. Department of Commerce.*

Hong Kong's Changing Taste Opens Way for U.S. Wine

By Leslie Berger

Hong Kong, an important market for many U.S. foods and farm products, offers opportunities for wine exporters. Hong Kong's wine imports are expected to continue to grow with the steady rise in foreigners and tourists in the territory.

The appearance of U.S. wines on prestigious hotel wine lists and in major retail outlets serving predominantly Chinese consumers has spurred the sales of U.S. wine in Hong Kong.

In addition, the Chinese traditions of conducting business and family gatherings in restaurants presents a natural environment for serving wine. There are about 3,500 Chinese restaurants, more than 2,000 non-Chinese restaurants, and over 50 hotels serving almost 4 million tourists, as well as many of Hong Kong's inhabitants, numbering about 6 million.

However, few wine marketers have been able to break into the lucrative Chinese restaurant business. This outlet offers an untapped opportunity and a further challenge for those who promote U.S. wine in Hong Kong.

Nearby China offers a great potential growth market for U.S. wines through entrepot trade or through direct U.S. exports to China. There are 15 first-class hotels in China catering to an increasing tourist trade attributed to China's new open door policy.

The wine selection in an international hotel in Guangzhou, the nearest large Chinese city to Hong Kong, currently includes U.S. wine and wine coolers, indicating interest for U.S. wine in China.

Hong Kong Wine Imports on the Rise

Hong Kong's wine imports rose 163 percent during 1982-87 to $23 million, with the United States taking 7.5 percent of the volume.

France has long held most of the Hong Kong wine market, with 57 percent of the total volume in 1987. Australia's share since 1982 has ranged from 9 to 14 percent. Although Australia exports all types of wine to this market, it is most known for its low-priced blended wines. Australia's market share fell to 11 percent last year, as U.S. sales picked up the slack.

A more aggressive U.S. marketing campaign and perceived quality problems for Australian wine led to the improved performance of U.S. wine in Hong Kong.

A Look at Hong Kong's Market Structure

Wine is not produced in Hong Kong since there is neither grape production nor bottling or blending facilities. Space limitations and a uniform tariff charged on bulk and bottled wines have left no incentives for a blending-bottling industry to develop.

The structure of Hong Kong's wine import and distribution system has long favored European wines. Many established importers are accustomed to purchasing European wines, especially those from France. Also, Hong Kong's international hotels do not readily stock U.S. wines. As a result, breaking into this market is not easy.

The range of foreign wines promoted by Hong Kong's hotels is determined by their clientele and by their choice of supplier. Hotels customarily receive financing from the winery or importer for promotional purposes.

Hotels and restaurants have an 80- to 120-percent markup on imported wine. U.S. wines served in one of the most prestigious hotels range in price from HK$135 to HK$1,100 (US$1=HK$7.80), with many in the HK$200 to HK$400 range.

These prices are comparable to wines from Australia and France. Several French wines, however, are priced considerably higher, while those from Italy are less expensive than U.S. wines.

Hong Kong has several large importers handling wine, but not all carry U.S. wines. One of the largest importers of U.S. wines carries 10 premium varietals plus table

wine, and sells 90 percent of its U.S. wines to hotels and restaurants.

Several small importers promoting U.S. wines have had difficulties getting their wine sold in international hotels, a sector long dominated by European suppliers.

While vying for a part of this lucrative market, these importers are selling mainly to supermarkets, convenience stores and social clubs.

Hong Kong has two major supermarket chains, two convenience food chains, and several wine and gourmet food outlets owned by the largest food and beverage importers. Most of these outlets carry some U.S. wine. The selection in each store largely depends on which brands are offered by the principal suppliers.

Sometimes a retailer's selection can be expanded if special arrangements are made for multiple suppliers. But a retailer working through one particular importer/supplier may have access to only one or two U.S. labels.

Another factor hindering the availability of more labels is the high cost of promotion and shelf space—especially when introducing new products.

Tariffs Make U.S. Wines Expensive

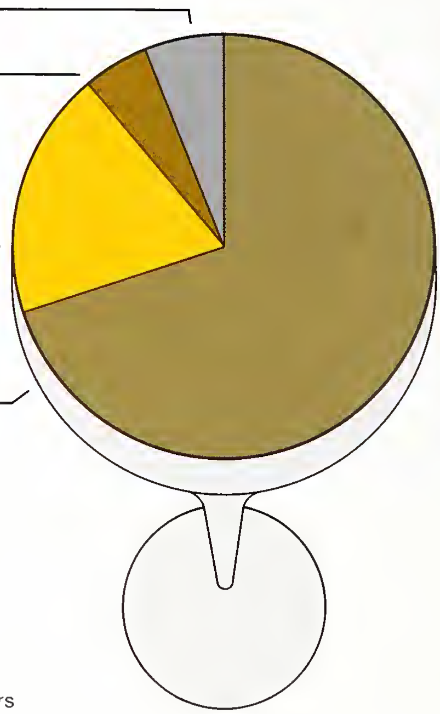
While there are no other import restraints, high tariffs turn a moderately priced U.S. wine into an expensive one. The latest tariffs, which became effective in late February 1987, rose 11 to 13 percent over previous levels.

Even though consumption patterns have moved away from drinks with higher alcoholic content, such as brandy, to lower alcoholic beverages, low tariffs on beer have provided stiff competition for the wine industry.

Increasing Consumer Awareness

There is a general lack of consumer awareness of U.S. wine. Increasing the U.S. market share requires a major educational program to convince consumers, wine brokers and importers of the attributes of U.S. wine. Currently, European wine is perceived by Hong Kong consumers as being more prestigious.

U.S. Has Small, but Growing Share of Hong Kong's Wine Market



1987 Imports=3.9 Million Liters

To increase awareness and sales of U.S. wines, the Wine Institute of California, through the Targeted Export Assistance Program of USDA's Foreign Agricultural Service, has sponsored wine promotions in Hong Kong since 1986.

These activities have included participation in U.S. food fairs in department stores and supermarkets, wine tastings, advertising in newspapers and promotions in restaurants and hotels.

New Consumer Patterns Emerging

The time is ripe for a promotional and educational campaign for U.S. wines in Hong Kong because it coincides with changing patterns of eating and drinking. Hong Kong's Chinese spend up to half of their food budget in restaurants and hotels, but are not accustomed to drinking wine with Chinese food. However, consumers in Hong Kong appreciate prestigious food and drink, an important factor for wine marketers to remember.

Light, slightly dry or fruity wines, such as Chardonnay, Cabernet, Reisling or Chenin Blanc have become popular. Wine coolers from California, New York and Australia are popular with young people and are readily available in supermarkets and convenience stores.

For the overall Hong Kong market, low alcohol wine at 14 percent or under is preferred over fortified wines. White wine commands about two-thirds of the market, but burgundy and rose wines also are becoming more popular.

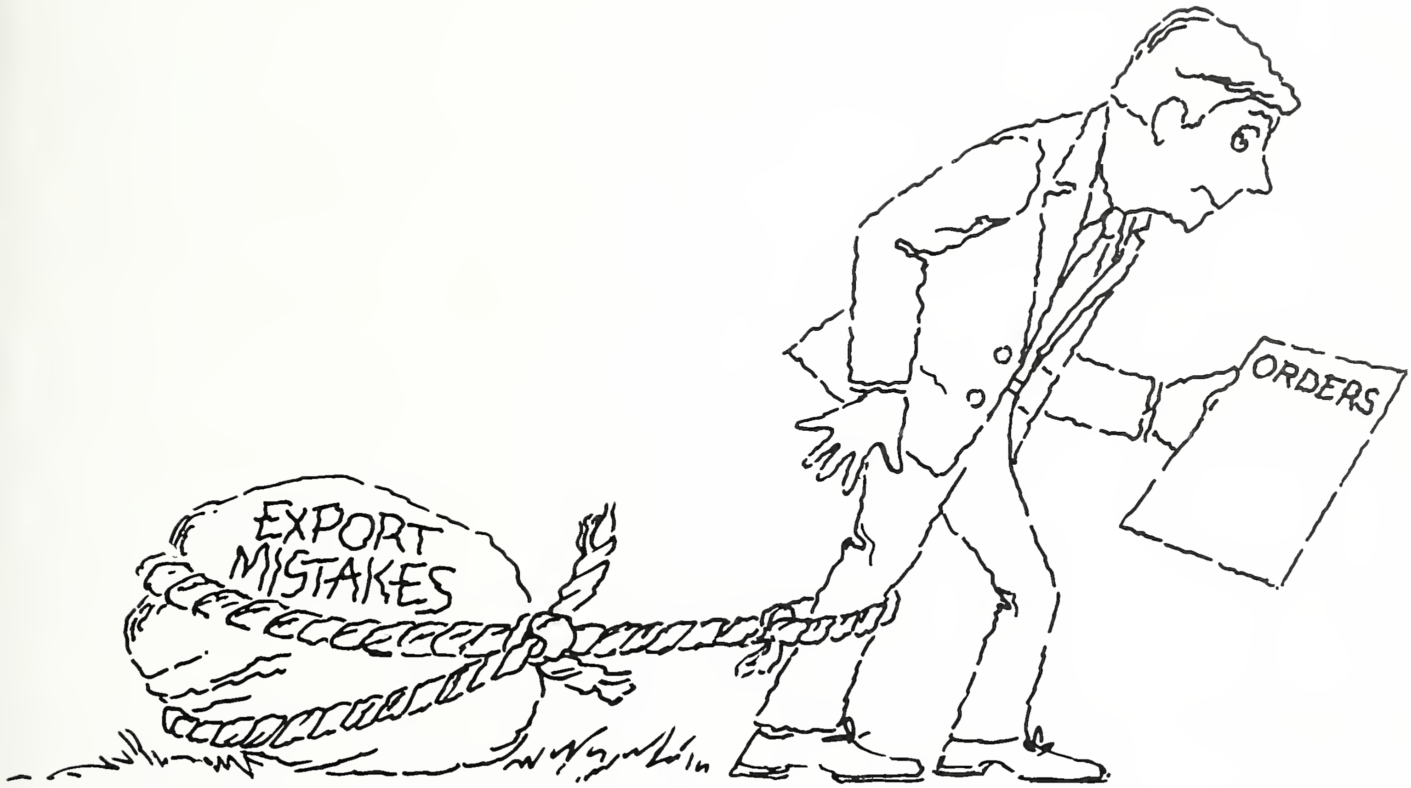
Pay Attention to Packaging, Labeling

Wine packaging and labeling affects consumer purchases. Carafes are popular in retail outlets and small bottles sell well in convenience stores. Cardboard casks have been well received, especially in the summer and during the Christmas holidays.

Retailers have found that labels carrying simple names are preferred by local consumers who have little background on wines. ■

The author, formerly with the Horticultural and Tropical Products Division, is now with the Export Credits Division, FAS. Tel. (202) 447-5780.

Avoiding the 12 Most Common Mistakes Of Potential Exporters



Has the time come for your company to expand into foreign markets but some managers are dragging their feet?

Does your marketing plan target fast-growing markets overseas, but your company has no experience in that area?

Do strong markets abroad beckon your products, but you're not sure how to proceed?

Arm yourself with the knowledge and know-how of those experienced in overseas sales. Here is a list of the 12 most common mistakes made by new exporters and advice from veteran exporters on how to avoid them.

1. Failure to obtain qualified export counseling and to develop a master international marketing plan before starting an export business.

To be successful, a firm must first clearly define goals, objectives and the problems encountered. Secondly, it must develop a definitive plan to accomplish an objective despite the problems involved.

Unless the firm is fortunate enough to have a staff with export expertise, it may not be able to take this crucial first step without qualified outside guidance.

2. Insufficient commitment by top management to overcome the initial difficulties and financial requirements of exporting.

It may take more time and effort to establish a firm in a foreign market than in domestic ones.

Although the early delays and costs involved in exporting may seem difficult to justify when compared to established domestic trade, the exporter should take a long-range view of this process and carefully monitor international marketing efforts through these early difficulties.

If a good foundation is laid for export business, the benefits derived should eventually outweigh the investment.

3. Insufficient care in selecting overseas distributors.

The selection of each foreign distributor is crucial. The complications involved in overseas communications and transportation require international distributors to act with greater independence than their domestic counterparts.

Also, since a new exporter's history, trademarks and reputation are usually unknown in the foreign market, foreign customers may buy on the strength of a distributor's reputation. A firm should therefore conduct a personal evaluation of the personnel handling its account, the distributor's facilities and the management methods employed.

4. Chasing orders from around the world instead of establishing a basis for profitable operations and orderly growth.

If exporters expect distributors to promote their accounts, the distributors must be trained and assisted, and their

performance must be continually monitored. This requires a company marketing executive permanently located in the distributor's geographical region.

New exporters should concentrate their efforts in one or two geographical areas until there is sufficient business to support a company representative. Then, while this initial core area is expanded, the exporter can move into the next selected geographical area.

5. Neglecting export business when the U.S. market booms.

Too many companies turn to exporting when business falls off in the United States. When domestic business starts to boom again, they neglect their export trade or relegate it to a secondary place.

Such neglect can seriously harm the business and motivation of overseas representatives and strangle the U.S. company's export trade—shutting off a valuable source of additional profits.

6. Failure to treat international distributors on an equal basis with domestic counterparts.

Often, companies carry out institutional advertising campaigns, special discount offers, sales incentive programs, special credit term programs and warranty offers in the U.S. market but fail to make similar assistance available to international distributors. This is mistake that can destroy the vitality of overseas marketing efforts.

7. Assuming that a given market technique and product will automatically be successful in all countries.

What works in one market may not work in others. Each market has to be treated separately to insure maximum success.

8. Unwillingness to modify products to meet regulations or cultural preferences of other countries.

Local safety and security codes, as well as import restrictions, cannot be ignored by foreign distributors. If necessary modifications are not made at the factory, the distributor must do them—usually at greater cost and, perhaps, not as well. It should also be noted that the resulting smaller profit margin makes the account less attractive.

9. Failure to print service, sale and warranty messages in local languages.

Although a distributor's top management may speak English, it is unlikely that all sales personnel (let alone service personnel) have this capability. Without a clear understanding of sales messages or service instructions, these people may be less effective in performing their functions.

10. Failure to consider use of an export management company.

If a firm decides it cannot afford its own export department or has tried one unsuccessfully, it should consider the possibility of appointing an appropriate export management company.

11. Failure to consider licensing or joint-venture agreements.

Import restrictions in some countries, insufficient personnel and financial resources or a limited product line cause many companies to dismiss international marketing as unfeasible. Yet many products that compete on a national basis in the United States can be successfully marketed in most markets of the world.

A licensing or joint-venture arrangement may be the simple, profitable answer. In general, all that is needed for success is flexibility in using the proper combination of marketing techniques.

12. Failure to provide readily available servicing for the product.

A product without the necessary service support can acquire a bad reputation in a short period, potentially preventing further sales. ■

*This article was excerpted and adapted from **A Basic Guide to Exporting,** published by the U.S. Department of Commerce's International Trade Administration.*

Country Briefs

Argentina

U.S. Exports Register Healthy Gains in 1987

U.S. agricultural exports to Argentina made good progress in 1987 for the second consecutive year, reaching $38 million (freight-on-board basis), compared with $27.7 million in 1986 and $15.3 million in 1985. Most of the gain was accounted for by larger U.S. shipments of cotton to fill the gap brought about by Argentina's drought-damaged crop last year and increased exports of seeds and breeding animals.

Argentina should continue to be a growing market for U.S. breeding animals, bull semen and lumber. U.S. seeds, which have risen in price over the past year, may find it more difficult to compete in the near term. However, as long as Argentina maintains an overvalued currency there will be a demand for imported products. Moreover, once Argentina removes its many quantitative import restrictions and shifts to tariff schedules, import demand will be further stimulated. This should bode well for traditional U.S. exports to Argentina as well as a series of other high-value products, including some processed food products.—*J. Dawson Ahalt, Agricultural Counselor, Buenos Aires.*

Hong Kong

Potential Niche Exists For U.S. Pasta Products

Consumption of noodles versus rice in Hong Kong is increasing, creating a potential niche for U.S. pasta products. Sales potential will depend on price and availability.

While rice remains the major staple of Hong Kong's Chinese population, rising incomes, improved standards of living and the increased influence of the West have all contributed to new eating habits. Pasta products are becoming known through contacts with the West and through popular local restaurant chains that serve Italian foods.

Despite an increase in population over the past years, consumption of rice has shown little growth. Meanwhile, noodles, vermicelli, spaghetti and instant noodles, along with bread, are making inroads into the regular Hong Kong Chinese diet.

Instant noodles fit particularly well into the busy city life. Hong Kong imports more than U.S.$1.25 million worth of instant noodles each year. Annual per capita consumption of instant noodles, which averages nearly 43 single-serving packs, is probably the world's highest. Currently Japan, Taiwan and Singapore are the major suppliers of instant noodles; only a small amount comes from the United States. Instant noodles are sold in a wide variety of brand names and flavors in all supermarkets, convenience stores and grocery stores.

Chinese-style noodles and vermicelli also are popular. China remains the most important source of supply in this category. Chinese noodles and vermicelli are consumed both at home and in restaurants and fast-food shops. While there are still special shops selling freshly made noodles, their numbers are on the decline.

Pasta, macaroni and spaghetti are probably the fastest growing pasta items. Imports from Italy more than doubled in the past five years. The booming fast-food business accounts for most of the remarkable increase in spaghetti consumption the past few years. Macaroni and spaghetti are gaining greater popularity in Chinese homes as the younger generation develops more Westernized eating habits.

According to the manager of one of Hong Kong's most modern supermarkets, middle-class Chinese consumers are buying pasta products. For this class of people, price is not an important consideration, as most pasta products are quite inexpensive in terms of the total food basket. The main consideration is quality and variety. There is keen interest in colored pastas, such as red and green, and in various shapes.

While Italy is currently the major supplier of pasta products to Hong Kong, there is no overwhelming reason why Italian brands would be selected by consumers over U.S. products. Local supermarket buyers say that they would be interested in talking with more U.S. exporters of pasta and becoming more familiar with what the United States has to offer.—*Phil Holloway, Agricultural Officer, Hong Kong.*

Korea

U.S. Share of Import Market on the Upswing

The U.S. share of Korea's agricultural imports increased to 47 percent in 1987, reversing a four-year decline in U.S. market share. A doubling in U.S. cotton imports and a threefold expansion in corn imports helped account for this reversal. Both cotton and corn benefited from more competitive pricing brought about by the export provisions of the 1985 Farm Bill, tight supplies from other origins and an overall increase in demand.

Korea's textile industry underwent its first major facilities expansion in years to meet burgeoning short-term textile demand and produce more "up market" textiles. Feed manufacture increased by 17 percent over the 1986 level to over 9 million metric tons. Corn imports surged but so did imports of weather-damaged wheat, primarily from Canada. Government-set feed ingredient quotas (which were based on an unrealistically low projection of demand for 1987) constrained feed grain imports and resulted in record imports of "non-quota" feed ingredients, particularly wheat bran and rapeseed meal. Also benefiting from tight feed ingredient availability were cottonseed meal, grain screening pellets and fishmeal.

Korea has become the world's largest importer of raw hides, which are used for its export-oriented leather goods industries. Imports of raw hides from the United States increased by 54 percent to $785 million, making this the largest U.S. export to Korea by far. The U.S. share of this market declined from 93 percent in 1985 to 81 percent in 1987, reportedly due to tight exportable supplies. Korea recently has begun to export finished leather. Leather exports increased by more than threefold in 1987. Korea's entry into this market can be attributed to Japan's declining competitiveness in the tanning industry due to the high value of the yen, and rapid technological advances by Korea's tanning industry.

The import picture for 1988 is marred by an expected downturn in export demand for Korea's textiles and leather products as they become more expensive in the United States. Such price increases are predicted in response to the strengthening of the Korean won against the U.S. dollar, substantial increases in Korean factory workers' wages and higher prices for raw materials.

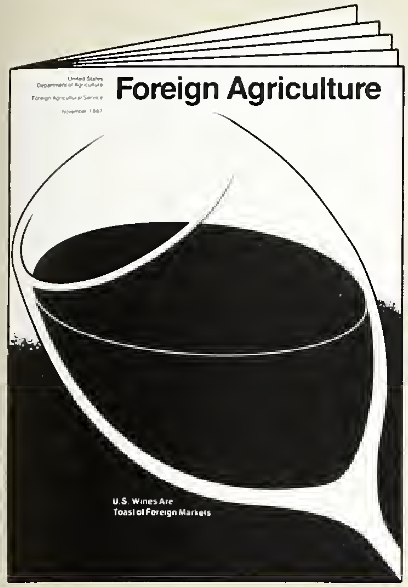
Demand for feed ingredients is expected to grow more slowly in 1988 than in 1987, in line with the declinig beef cattle inventory and the swine sector slump. However, the government's 1988 feed sector plan indicates a relaxation of feed grain quotas. This should help boost corn imports, particularly if they maintain their competitive price relative to feed wheat.—*James E. Ross, Agricultural Counselor, Seoul.*

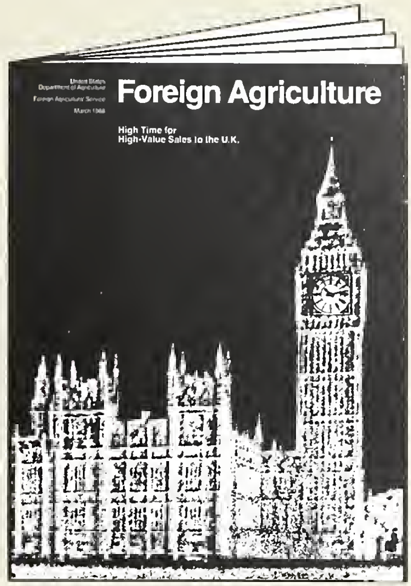
Thailand

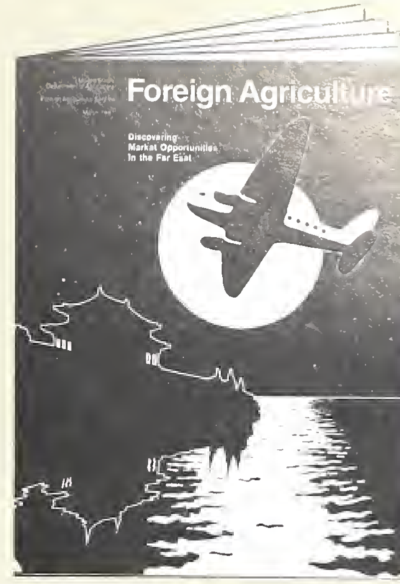
U.S. Wheat Benefits From Growing Flour Use

Use of wheat flour in Thailand rose 30 percent to about 3 kilograms per person in 1987 as rapid economic expansion (6.6 percent), increased tourism and reduced prices spurred sales. Consumption growth could accelerate in 1988 due to favorable economic conditions and sharply higher prices for rice and other competing foodstuffs. Nonetheless, traditional dietary practices and a $90-a-ton import tax will continue to make per capita use of wheat products among the lowest in Asia.

There are four major types of wheat flour in the Thai market: bread, noodle, biscuit and all-purpose. While sales of all types increased last year, bread and noodle flours benefited most. Local flour (milled mainly from U.S. wheat) has a higher protein level than imported Japanese flour and is preferred for bread baking—which represents 30 percent of use. Noodle flour, for instant noodles, accounts for another 30 percent of the total with local flour again dominating the market. Biscuit (30 percent) and all-purpose (10 percent) flours account for the balance of sales. It is here that local and Japanese flours compete head-on, with the Japanese maintaining an 85-percent market share.—*Weyland Beeghly, Agricultural Attache, Bangkok.*







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